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ABSTRACT

The discrepancy between a city's financial obligations and its fiscal capacity to meet those obligations with reasonable effort is referred to in this paper as "municipal overburden." The literature concerning the causes and the impact of municipal overburden on school support for essential school services is analyzed. Attempted corrective measures identified include adjustment of State educational support formulas, and action through local, State, and Federal levels of government. (Author/MLF)

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MUNICIPAL OVERBURDEN

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LEROY J. PETERSON

State-of-the-Knowledge Series, No. 13
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MUNICIPAL OVERBURDEN

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FOREWORD

The term *municipal overburden* vividly describes the stress on cities' financial resources caused by a combination of shrinking property tax bases and soaring costs of municipal services. The dramatic impact of *municipal overburden* in a milieu of property tax resistance has marked this area for critical concern in school finance at both theoretical and practical levels.

Having observed the need for an analysis of the literature on this growing educational and financial problem, the Clearinghouse commissioned LeRoy J. Peterson to prepare this state-of-the-knowledge paper.

Dr. Peterson has served as a consultant on educational finance for the United States Office of Education, the National Education Association, the Ministry of Education in both Korea and Nigeria, and several states and school districts. He was director of the United States Office of Education financed study on the *Impact of State Support Programs on School Finance*. While serving two three-year terms on the NEA Committee on School Finance, Dr. Peterson helped plan the first and several subsequent National Conferences on School Finance. He also directed the NEA's Special Project on School Finance.

Dr. Peterson is a professor in the Department of Educational Administration at the University of Wisconsin with specialties in school finance and school law. Among his recent publications are a textbook, *The Law and Public School Operation*, coauthored with Richard A. Rossmiller and Marlin M. Volz, and a study of *Equity in School Finance* coauthored with Russell M. Owen.

PHILIP K. PIELE
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MUNICIPAL OVERBURDEN: INTRODUCTION

The most urgent domestic concern of the 1970s is the "crisis of the cities" with all its extensive implications.

Cities, once the cultural, social, and economic cr[illegible] of the rest of the nation, have deteriorated into pockets of poverty and hotbeds of violence. In many instances, the cost of keeping city governments operative at even a minimum service level has resulted in staggering property and other tax burdens. The consequent impact of this financial crisis on the support of essential school services has become a crucial concern among educators.

The discrepancy between a city's financial obligations and its fiscal capacity to meet those obligations with reasonable effort is referred to in this paper as *municipal overburden.* County obligations for which the municipal taxpayer is financially responsible are also included.

To view the literature of municipal overburden in the perspective of its impact on school support, six areas will be examined:

1. causes of municipal overburden
2. impact of municipal overburden on school support
3. correction of municipal overburden through federal action
4. correction of municipal overburden through state action
5. correction of municipal overburden through adjustment of state educational support formulas
6. correction of municipal overburden through local governmental action

The rising costs of education and their causes are not specifically a part of municipal overburden. Therefore, no

attempt will be made to discuss such educational cost factors as the nature of the school population, the nature of the educational program, the need for expensive supportive services, the nature of the district, and the administrative structure.

On the other hand, the relationship of municipal overburden to the fiscal equity of the community, the school district, and the taxpayer is of particular relevance to this discussion.

MUNICIPAL OVERBURDEN: CAUSES

Authorities on municipal and educational finance have identified four major reasons for municipal overburden:

1. **For numerous reasons it is more expensive to provide municipal services such as welfare payments, hospitals, and police and fire protection in the central cities than in suburban and rural areas.**

One study reveals that in the central cities of the thirty-eight largest standard metropolitan statistical areas the 1966-67 per capita taxes for noneducational services amounted to $144 while in the surrounding suburban areas the per capita taxes for these services were only $76 (Advisory Commission on Intergovernmental Relations 1968).

Another study reports that in 1962 central cities were spending about $30 more per capita for noneducational services than were the suburbs (Sacks 1968, p. 159).

Throughout the literature it is generally accepted that noneducational municipal services consume approximately two-thirds of the local property tax revenue in the central cities while the suburban areas require only one-third of this revenue (Marland 1969).

2. **As costs in the central city climb, the tax base is failing to keep pace** (Sacks 1968, p. 158).

A number of factors contribute to this situation. The cities have long been plagued by numerous property tax exemp-

tions. Public housing developments, churches and charitable organizations, private schools, parks and playgrounds, universities, and property of tax exempt clubs and fraternal orders cut deeply into the central city tax base.

As the cities deteriorate, property in the central city is less intensively utilized. Factories and businesses close, buildings are abandoned, razed, and frequently not replaced, thus decreasing the city's tax roll.

3. **As city expenditures rise, the increased tax burden often falls upon people least able to pay.**

Several studies have confirmed that the incomes of people in the central cities are falling further behind incomes in the suburban areas (Hannah 1967 and Campbell 1968).

4. **The suburban areas contribute significantly to the fiscal problems of the central city.**

The many suburban dwellers who work and shop in the central city add to the burden of fire, police, traffic, and sanitation costs yet do not contribute directly to the city's tax revenue.

The wealthier suburbs are able to pay their municipal employees more and as a result drive up the wages of the central city employees, thus increasing the already heavy burden (Ranney 1967, p. 222).

MUNICIPAL OVERBURDEN: IMPACT ON SCHOOL SUPPORT

Numerous fiscal problems in education are directly attributable to the long-term effects of municipal overburden, according to leading authorities on educational and municipal finance.

R. L. Johns (1966) points out that the increasing needs of the cities bring about a corresponding demand for increased municipal and educational services. As these services are provided, taxes, especially property taxes, increase proportionately. Schools are in keen competition with other

municipal services for every tax dollar. Under present circumstances every dollar won for education will likely come at the expense of another vital municipal service. Unfortunately, some evidence indicates that underexpenditure in nonschool city services can be just as detrimental to student achievement as underfinancing of schools (Rannev 1967, p. 226).

Furno (1964) describes cities and city schools as locked in a vicious cycle. The city school lacks funds to meet the needs of children with special inner-city problems. These children in turn drop out of school and become unemployables who become welfare cases. Consequently, more money is needed for welfare, leaving less for education, and the cycle begins anew.

Mort (1966) recommends a city fiscal policy that recognizes the impairment of the city's ability to support schools because of the overwhelming demand upon the tax dollar to pay for municipal services.

Brazer (1962) found that population density, median family income, and per capita intergovernmental revenue are significant determinants of per capita city expenditures. All these factors demonstrate a far greater need for municipal and educational services in the city. One of Brazer's more interesting findings is the impact suburbanites have upon the city's financial situation. He notes that central city expenditures correlate more highly with the density of the suburban population (+.554) than with the density of the central city (+.398) (see also Campbell and Sacks 1967).

Hickrod and Sabulao (1969) note that within metropolitan areas the wealthy districts are becoming wealthier while the poor districts grow poorer. They also observe that the amount of money a school district spends on education depends directly on the material and human resources of the district. The level of funding correlates highly with factors that are completely outside the control of the local school administrator. The authors also show that many state grant-in-aid formulas attempting to equalize expenditure levels and tax effort among local school districts fail to do so and in some

cases actually provide more aid to the wealthy district.

Zwerdling (1969) reports that the city of Detroit is not only plagued by an extensive overburden due to the problems of its urban area but is also being severely shortchanged by the Michigan state aid formula. The Detroit Board of Education filed an unsuccessful suit alleging that the Michigan state support formula was in violation of the Equal Protection Clause of the Fourteenth Amendment of the United States Constitution.

Former Commissioner of Education Harold Howe II (1967) reports that Pennsylvania communities outside the metropolitan areas in 1966 spent an average of 22 percent of their revenue on nonschool activities while the city of Philadelphia spent 58 percent of its revenue on nonschool services. The state average for nonschool expenses in both California and New York was found to be 49 percent. Yet the city of San Francisco spent 71 percent of its revenue on nonschool services and the city of Buffalo spent 76 percent. These figures clearly underscore not only the tremendous additional expenses of urban areas but also explain why so little remains in the budgets of larger cities for the support of schools.

The research of Seymour Sacks (1968, pp. 154-165) reveals that, during 1964-65, the central cities in thirty-five metropolitan areas spent on the average $50 more per citizen than did the surrounding suburbs. However, these central cities spent an average of $50 less per person on education. Sacks also found that the overburden of providing services in the urban setting had increased from about $53 per person in 1957 to more than $100 in 1965.

In a recent study, Rossmiller, Hale, and Frohreich (1970) describe the problem of widely varying per capita expenditures in different types of municipalities. The three researchers analyzed twenty-one expenditure variables in 221 municipalities. The mean expenditure for municipal purposes was $107 for all municipalities, but $176 for major urban core cities. Expenditures by types of municipalities were as follows:

Type of Municipality	*Mean Per Capita Expenditure*
Major Urban Core City	$176.00
Minor Urban Core City	122.00
Independent City	159.00
Established Suburb	88.00
Developing Suburb	66.00
Small City	102.00
Small Town	79.00

The above figures show that, on the average, major urban core cities have twice the municipal expenditure load of established suburbs and small towns and more than two and one-half times the burden of developing suburbs. Obviously, this situation points to the need for some type of adjustment for the high municipal expenditures of major urban core cities.

Although it is relatively easy to describe the evils of municipal overburden, it is difficult to measure them accurately. However, accurate measurement is essential if the drain of overburden on the municipal budget is to be alleviated. Benson and Kelley (1966), conceding the difficulty of such measurement, report from their research on Providence, Rhode Island, that 19 percent of that city's expenditures can be attributed to municipal overburden.

MUNICIPAL OVERBURDEN: CORRECTION THROUGH FEDERAL ACTION

Many authorities propose direct federal aid to the cities as the most direct, positive, and equitable method of assistance in the cities' efforts to adequately finance education and other municipal services. Benson (1968) contends that federal aid would permit more accurate measures of fiscal capacity and overburden. Heller (1965) points out that the supply of federal funds is increasing faster than the demands made on those funds, while the reverse is true on the state and local levels. Local revenue, if supplemented by federal money, can

provide an adequate level of municipal services. All advocates of federal aid emphasize that the spending of these funds should be left to the discretion of the municipality or the school district and not be subject to external control.

Other authors advocate aid to the cities in a form that directly attacks the ills of the central city. Such programs as the Economic Opportunity Act, the Urban Development Act of 1965, and the Demonstration Cities and Metropolitan Development Act of 1966, have been cited as examples of legislation directed toward the accomplishment of specific goals (Beckman 1968).

All these laws have as their objectives the supplementation of local budgets, the reversal of the deterioration of the central cities, and the release of more money for education. Unfortunately, many of these "urban renewal" programs also take property off the local tax rolls, thereby shrinking the tax base (James, Kelley, and Garmo 1966). For this reason, at least one report emphasizes that housing and urban development programs must be coordinated with educational planning to insure the maximum value in community cooperation and effort (Council of Chief State School Officers 1968).

Break (1968) sees a need for the development of a fiscal partnership among local, state, and federal governments so that all units can participate meaningfully. He envisions a set of optimizing intergovernmental grants based squarely on external benefit flows that vary from one state and local program to another. His goal is to rationalize decision making at all levels of government. Basic to this point of view is the assumption that the present relationships are inefficient and suffer from a lack of coordination.

Proposals for federal aid to municipalities are not stylized but take a variety of forms. In addition to Break's suggestion, Furno (1966) proposes that the federal government be required to finance certain municipal services completely so that the schools would have greater access to the local property tax.

Heller (1966) suggests another approach to federal aid. Under his plan the federal government would set aside and distribute to the states 2 percent of the federal individual income tax base each year. The money, which would approximate 10 percent of federal individual income tax revenues, would be distributed on a per capita basis, thereby redistributing money from wealthy to poorer states. The cities would also be able to participate by requesting funds for pressing local needs.

Historically, the states have been controlled by rural interests that have denied cities an adequate amount of aid. To eliminate state interference, Heller proposes a bypass system that would enable cities to apply directly to the federal government for assistance. An effort index would be used to compare local effort with the national average. Heller emphasizes that the actual expenditure of these funds should be left to the discretion of the local government.

The consensus of experts in taxation is that the federal income tax currently is the most satisfactory revenue-collection device. It is not only the most progressive and equitable of all taxes but is also the most efficiently administered and the most responsive to economic growth. The major objection to all levels of government sharing in this source of revenue is the spectre of federal control. Accordingly, the advocates of the several methods of federal aid or tax sharing carefully point out that their proposals will preserve local discretion in budgeting and disbursing of the revenue. This is essential because, even though the lure of federal funds is great, it is not always sufficient to overcome the fear of federal control.

MUNICIPAL OVERBURDEN: CORRECTION THROUGH STATE ACTION

State financial aid to cities and/or school districts is another way to alleviate municipal overburden.

The advocates of increased state support point to several advantages their proposals have over federal assistance. First, less resistance would be encountered in the enactment of aid programs on the state level than in large-scale fiscal allocations from the federal government. Second, the states could serve as testing areas for various aid programs without committing the entire nation to a single program.

However, opponents point out that resistance to state aid may be just as strong as resistance to federal programs. Many people become as agitated at the thought of state control as of federal control. Moreover, the "testing ground" argument may be in reality a tactic to delay the infusion of badly needed funds into metropolitan areas throughout the nation.

A number of approaches for providing state aid to municipalities have been advanced. Several studies (Furno 1966, Benson 1968, and Beckman 1968) propose that the states finance in total or in part many nonschool municipal functions, thereby freeing local revenue for school support. Benson, for example, advocates attacking the overburden directly, arguing that the problem cannot be solved through adjustment of school grants.

The other extreme is represented by Sharmon (1967) and Hecker (1970), who suggest that the schools be completely financed from state revenues so that local revenue can be used for support of noneducational municipal functions.

Other studies propose that the state enact legislation consolidating local units of government in metropolitan areas and enjoining the use of any intergovernmental tax that promotes fractionalization of the tax base (Advisory Commission on Intergovernmental Relations 1967 and 1969 and Beckman 1968). This consolidation would improve policy formulation and administration and could eliminate some of

the inefficiencies in tax administration and collection. These studies further urge the establishment of a county or regional school property taxing district. By distributing the burden of the property tax for education over a much larger area, such a district would equalize the burden for the central cities.

Maxwell (1966), seeing governmental reorganization as the pressing need of the cities, suggests making aid dependent on reorganization. He notes that the typical metropolitan area, i.e., the central cities and surrounding suburbs, has a high fiscal capacity when measured in terms of the total per capita income, property, or wealth. The problem is to tap the potential wealth equitably. Since the metropolitan area is usually a patchwork of overlapping jurisdictions, often with independent taxing powers, efficiencies often await a unification of governmental units. Economies in raising and expending revenue, along with a more equitable sharing of taxes among all metropolitan citizens, could be achieved by consolidating metropolitan areas for both municipal and school purposes.

Other authorities argue that municipal overburden can be corrected by giving the local municipalities more taxing power. Most states compel the city to perform a number of functions yet limit its potential sources of revenue (Brazer 1963). These policies promote competition among communities in the same metropolitan area as well as spawn numerous "bedroom communities" or "tax islands." In addition, such policies impose on the cities an inflexible and costly system of property taxation for raising much of their revenue. Thus, rather than fostering interdependence and cooperation among the communities in metropolitan areas, state legislation generally causes separatism and competition (State of New York 1966).

Beckman (1968) argues that the states must remove undesirable restrictions on cities and grant them more permissive home rule powers.

Proposals such as these illustrate the basic dilemma facing decision makers for urban areas. Should the fiscal responsibility vested in municipalities be strengthened or should it be

turned over to larger jurisdictions?

Numerous additional suggestions to relieve the problems of municipal overburden through state action have been made. Johns and Morphet (1960) and Maxwell (1966) advocate relief through a system of shared taxes, but they do not specify how such a system would function. Earmarked taxes have also been suggested, but are generally considered too restrictive and inelastic.

Wisconsin has adopted a plan for property tax relief to the elderly poor, defined as families in which the head is over age sixty-five and has an income of less than $3,500. Since the state provides communities with the necessary revenue to replace this loss from the property tax, this method of property tax relief also helps to alleviate municipal overburden (State of Wisconsin 1962). Quindry and Cook (1969) suggest that the Wisconsin plan be expanded to cover all poor, but the chances of such a plan becoming law appear minimal.

Another suggestion by Benson (1968), aimed at alleviating the adverse effects of municipal overburden on the schools, is for the states to give performance grants to city schools that wish to improve their programs. This plan would provide tax relief and reduce the overburden while also encouraging improvement in quality.

Benson also presents this exciting proposal: state financing of "professional schools" in the cities for training future teachers. Trainees in these schools would serve a two-year apprenticeship in the city's public schools. This program would provide a two-pronged attack on the problems of the central city. The input of teachers would relieve some of the immediate financial burden; and the educational opportunities for children would be increased, thereby providing a basis for recovering central-city prosperity.

In summary, plans for shifting some of the burden of municipal finance to the states vary with every writer. Although the studies reviewed here are not the only ones that deal with this proposition, they represent the major types of proposals that have been advanced.

MUNICIPAL OVERBURDEN: CORRECTION THROUGH STATE SUPPORT FORMULAS

From the educator's standpoint, the best hope of correcting the adverse impact of municipal overburden on the schools is through state school support formulas (Mort 1966). Unfortunately, few states effectively confront the problem of municipal overburden in their school support formulas. This lapse may be due at least in part to an overemphasis on the traditional objective of state support formulas, which is to guarantee an adequate school program for those communities that cannot support such a program from their own tax base. More recently, school support formulas have been recognized as a means of equalizing the tax burden among school districts, thus helping to alleviate municipal overburden (Mort, Reusser, and Polley 1960).

Some states have attempted to solve the problems of large-city schools by introducing a density- or size-correction factor into their formulas. New York State has pioneered in these efforts. In recognition of the many extra educational costs encountered in New York's six largest city districts, the state provided them with an additional 10 percent of the regular school operating aid (Burke 1966). In 1965, the New York legislature increased the population size-correction factor for these districts by an additional 7.5 percent to 17.5 percent.

No rational basis for the legislature's selection of the 10 percent or 17.5 percent figures is ascertainable. The lack of such a basis is further evidence of the need for research to determine objectively to what extent municipal overburden is attributable to a city's size. In New York, some of the districts with 125,000 inhabitants and a high population density also have high fiscal capacity. Basing overburden correction on density alone or on population size and density appears to oversimplify the real causes of municipal overburden.

Francis Cornell (1967) analyzed the New York program in detail and found some glaring deficiencies in its operation.

First, the formula rewards large cities on the basis of size only and thus fails to recognize that there may be little relationship between total city population and the number of children in the public schools. For example, Albany, which received the 17.5 percent additional aid in 1965-66, had a lower weighted average daily attendance (WADA) than ten other cities in the state that did not qualify for the population-size aid.

Second, for districts with a population of less than 125,000, the state pays 10 percent of the operating cost for the first 1,250 WADA only. Thus, this formula progressively discriminates against a district as its WADA exceeds 1,250 and as its population approaches 125,000. Instead of rewarding size on a graduated scale, the New York formula discriminates against size until the city reaches the arbitrary level of 125,000 population.

Mort (1963) made several proposals for a revision of state support in New York. In his proposals, he recognized municipal overburden and provided special aid for its correction. Interestingly, this part of his proposals was not adopted; the legislature instead enacted the population size-correction factor mentioned above.

Mort defended his overburden-correction proposals on the basis that the taxable property valuation of a school district, which is used in computing local ability, is reduced by the impact of municipal overburden. He proposed a reduction in taxable property valuation in any school district whose per capita percentage of local tax revenues for noneducational purposes exceeds the state average outside cities over 125,000 population.*

*In the cities meeting this criterion, the valuation of taxable property would be reduced by what he termed a Valuation Reduction Ratio (VRR). The VRR was defined as the excess, if any, over .332 of the ratio of the per capita amount of local revenue for noneducational purposes to the sum of this amount and the average per capita expenditure for education for the entire state.

Apparently, Pennsylvania has experienced satisfactory results from the incorporation of a population density factor into its state support formula (Marland 1969). Enacted in 1966 and revised in 1969, the statutes include a density factor for additional aid to districts whose population exceeds 10,000 per square mile. The amount of additional aid is based on one of three computations, whichever one provides the greatest aid:

1. The district's aid ratio (percent of instructional cost provided by the state) times the actual instructional expense per weighted average daily membership in excess of $400.

2. A factor of .375 times the actual instructional expense per weighted average daily membership in excess of $400. (If one of these first two computations is applicable, the amount in excess of $400 upon which the aid is calculated is limited to $200.)

3. Thirty dollars per weighted average daily membership. If the district has a weighted average daily membership of 50,000 or more and qualifies for the density aid, it may in lieu of density payments receive 15 percent of the actual instructional expense per weighted average daily membership times the weighted average daily membership of the district. In addition, the state provides $120 to the school district for each child, age 5-17 inclusive, who comes from a family having an annual income of less than $2,000 and for each child, age 5-17 inclusive, who comes from a family that earns more than $2,000 per year but receives payments under the aid to dependent children laws (Commonwealth of Pennsylvania 1966 and 1969).

Michigan provides a direct payment for municipal overburden to all districts in which the tax rate for nonschool purposes exceeds 125 percent of the state average (Michigan Statutes). This provision applied to forty-five school districts in 1969-70. Because the state appropriation was only $13 million, payments were prorated at 35 percent.

The Michigan law reduces the equalized valuation of the district by the percent that the tax rate for nonschool purposes exceeds 125 percent of the state average. Since state

support is calculated on equalized value, this adjustment acts to increase state support for schools with municipal overburdens.

Consider, for example, a district whose nonschool taxes are 135 percent of the state average and whose equalized valuation is $10 million. Since the district's nonschool taxes exceed the 125 percent by 10 percent, the $10 million equalized valuation is reduced to $9 million and state support is calculated on the $9 million figure.

In a study of state aid to school districts in New Jersey, a state commission presented three alternatives for correction of municipal overburden (State of New Jersey 1968). The alternatives were adjustment for excessive municipal and county tax rates, adjustment for excessive total tax rates for municipal, county, and school purposes, or adjustment when both school tax rates and total tax rates were high. The study concluded that population alone is a totally indefensible basis for the distribution of state support to correct for municipal and county overburden.

The commission favored direct measures over indirect measures as a basis for distributing compensatory funds. Thus, such measurement factors as density, inverse pupil achievement, socioeconomic community levels, and other related variables currently being proposed were termed unsatisfactory in that they attempt to measure indirectly what can and should be measured directly by expenditures and tax rates.

One of the most recent discussions of the relationship of municipal overburden to state support formulas is found in an unpublished thesis of Steven M. Koch (1971). Koch analyzed the responses of sixty-one school finance experts to twenty-two criteria developed for evaluation of present or proposed state school support models. One of the criteria recognized municipal overload as a factor in the determination of state school revenue allocations.

Koch reports that the experts, as a group, considered the recognition of municipal overburden in state support formu-

las to be of minor importance, with only three of the twenty-two criteria receiving a lower rating.

When the total group was divided according to their professional responsibility, slightly greater support for the recognition of municipal overburden was exhibited by personnel in state departments of education and by "others," composed of research workers, state legislators, personnel in the United States Office of Education, and central office staff in local school systems.

Some of the respondents commented that they favored direct support for municipal services where it was needed to alleviate municipal overburden. However, others expressed concern that any added payments under the state support formula would be used merely to reduce the municipal tax burden. If assurances could be given that state revenue would be used to increase the school budgets, more support for the concept would be generated.

One respondent indicated that he did not subscribe to municipal overload corrections in school support formulas, and another indicated that higher municipal taxes should be expected and accepted as the price for the privilege of living in urban areas.

From the evidence in Koch's study, it may be concluded that current support for alleviating municipal overburden through state school support programs is not substantial when measured by the overall responses of school finance authorities. However, some school finance experts endorse the concept.

MUNICIPAL OVERBURDEN: CORRECTION THROUGH LOCAL GOVERNMENTAL ACTION

Proposals that have been advanced to alleviate municipal overburden through local action generally fall into three categories:

- proposals advocating reorganization of local governmental units
- suggestions for raising local revenue through the use of nonproperty taxes
- recommendations for improving the property tax to preserve it as a major source of revenue for local governments

There is no question that metropolitan areas can be reorganized to provide more efficient and effective services. The Los Angeles area currently uses the "Lakewood Plan," by which one governmental unit sells services to another, or several governments join to carry out a specific function (Lindman 1963). The purpose of this plan is to achieve greater economies of scale and to provide more specialized services than would be possible under present fiscal constraints.

Maxwell (1966) asserts that the supply of services should be administered with an eye to the needs of the whole area. Dade County, Florida, and Nashville-Davidson County, Tennessee, are examples of areas where municipal and county governments have formed larger units to provide efficient and coordinated services meeting the needs of an entire area.

Many authorities advocate granting municipalities wider ranging taxing powers than they now possess. To diminish reliance on the property tax, Brazer (1963) argues it is essential that cities receive greater taxing powers. Burke (1957) points out that the property tax is the only large-yield tax available to local school districts and that it is not adequate to meet demands. According to Burke, the state must allow

local use of nonproperty taxes if home rule of education is to be preserved. By 1955, he points out, many cities had started to supplement property taxes with such nonproperty taxes as public utility, amusement, and admission taxes. Brazer (1962) suggests that commuters and shoppers be required to contribute to municipal revenues since they make extensive use of such costly municipal services as roads and fire protection.

Other authorities argue that the best policy regarding local finance is to improve the property tax and thus preserve it as an important source of revenue for local governments. Furno (1966) asserts that the use of nonproperty taxes will actually create more problems than it will solve. One of the more frequently cited problems is that of tax overlapping—two or more levels of government using the same base for taxation (Advisory Commission on Intergovernmental Relations 1964). This problem becomes particularly acute when both state and local governmental units utilize the property tax for substantial revenue.

Those who seek improvement of the property tax to relieve the overburden of excessive rates have essentially four suggestions.

First, alleviate the regressive effects of the tax on poor families. As mentioned earlier, Quindry and Cook (1969) suggest that poor families be allowed a reduction in their income taxes for a certain proportion of the property taxes or rent they pay.

Second, standardize and streamline assessment procedures. The inequities of present assessment procedures are legion.

Third, enlarge taxing districts to encompass regions or states to provide an equitable base for collecting revenue.

Fourth, eliminate the long list of property tax exemptions. Exemptions of the properties of churches, institutions, universities, foundations, etc., bear most severely on the large central cities. These exemptions also generate much distrust and skepticism about the property tax (see Corbally 1962 and Netzer 1966).

MUNICIPAL OVERBURDEN: SUMMARY AND CONCLUSION

A review of literature on municipal overburden forces the unhappy conclusion that nearly two decades of discussion, study, and research efforts have achieved only limited implementation of proposals to alleviate municipal overburden. Even in the instances of some implementation, namely in Michigan, New York, Pennsylvania, and to a limited degree in Wisconsin, programs have been grossly inadequate for the magnitude of the task. In not one instance does the literature reveal a program adequate for the effective elimination of municipal overburden.

Although several of the studies reviewed are rigorous, research-based analyses, the heavy majority consider the topic and the impact of municipal overburden from an observational, philosophical, and/or subjective point of view. Since a careful definition of municipal overburden is lacking, in most instances it is impossible to ascertain the items included in it and whether the overburden was determined by the tax rate only, by the tax rate in relation to fiscal capacity, by expenditures for municipal purposes, or by expenditures for municipal and county purposes. Also absent are measures of the costs of projected municipal services, the municipal fiscal capacity, and the relationship of the two.

Even the studies that urge elimination of municipal overburden fail to define precisely methods for doing so.

The lack of success in eliminating municipal overburden is understandable, given the absence of clearly defined methods for implementing changes and the resistance to major tax changes, to shifts in patterns of governmental support, and to reorganization of present city and suburban governments into one metropolitan unit.

Moreover, substantial progress cannot be anticipated as long as discussion assumes the existence of high tax rates, high expenditures, etc., without considering *why* tax rates or

expenditures are high. Inefficiency and graft can result in high tax rates and expenditures, which should not be subsidized by state and federal funds.

The identification of the cost of all essential services provided within an organizational structure of government of sufficient size to supply these services efficiently and economically is the sine qua non of relief for municipal overburden. Besides this knowledge of what essential municipal services should cost, correction of municipal overburden also requires a sound measure of the fiscal capacity of the municipality including its income as well as its equalized value of property.

From the present state of the knowledge on municipal overburden, it is evident that the greatest need is for precise proposals and sound criteria against which the proposals can be rigorously evaluated. The fulfillment of this need currently represents the highest potential for implementation of programs to eliminate municipal overburden.

However, several other needs also remain unmet. On the strategic level, there is an urgent need for a reevaluation of the distribution of power through funding: Should the support be provided directly to the municipalities, or should it be circuited through higher governing bodies? The answer to this question must be considered in relation to the need for sound governmental reorganization eliminating unessential units and duplicated services. Efficient management and effective administration by competent professional personnel are also imperative.

Only as these needs are effectively met can the voting public and legislative bodies be expected to support municipal overburden relief and, through such relief, improved school support.

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